

# PPI Metro Policy Play #3

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**Location:** Denver, Colo.

**Program:** Peak Academy

**Play:** Set up an in-house training program to instruct public employees in proven business methods for spurring innovation, improving service, and saving money.

Results: Savings conservatively estimated at \$26 million over the past six years – for a program that costs only about \$1 million per year to operate. Efficiency and performance improvements throughout city government – including a reduction of DMV average wait times from 70 minutes to 18 minutes.



## SUMMARY

**Denver has emerged as one of the most dynamic American metro areas of the 21st century, with a steady stream of well-educated workers drawn to its extraordinary natural beauty and friendly, wide-open vibe.**

It drew the world's attention in 2008 with a boldly staged Democratic convention that launched a candidate who seemed to mirror many of the host city's own qualities: youthful, tech-savvy, optimistic, forward-looking, environmentally conscious, and just hip enough to stand out from the crowd.

But the Mile High City has always been a boom-and-bust kind of place, and the Bush-era recession that clinched Barack Obama's ultimate rise to the White House dealt Denver a sobering reality check. By the time the city installed its own technocratic young chief executive in 2011, municipal employees had incurred a substantial cut in take-home pay, and some had lost their jobs.

The new mayor, Michael Hancock, understood that, in order for Denver to resume its forward momentum, the city would have to find ways to use public funds more effectively. Hancock and his team looked at other cities' efficiency programs and came to a conclusion: The places that had seen the most success with such efforts had, in Hancock's words, "leveraged the most important and most costly resource they had, and that was their city employees."

To maximize the efficacy of its 11,000 city and county employees, Denver tried something quite novel – establishing an internal education program, eventually called Peak Academy, to provide training in management protocols that the business sector had used for years to cut costs, stoke innovation, and improve service.

In any workforce, management talk of cost-cutting and improved efficiency can easily raise fears of job losses. City Hall was no exception, particularly with the recession layoffs still a fresh memory.

"When Hancock came in as mayor, in the beginning there was a ton of resistance to this," said Dave Edinger, Denver's chief performance manager and the head of the Peak Academy initiative. "And he just said, 'Nobody's going to lose their job. You may end up doing something else, but nobody's ever going to lose their job as a result of innovating in their area.'"

Workers seemed inclined to give their new boss the benefit of the doubt. "It helped that we were a new administration," Hancock said. "There was a lot of excitement from city employees, so there was a willingness to buy in and really take a chance. And once we did a few trainings, we noticed that demand was increasing among city employees, and it kept going."

So, just what are these "trainings," exactly?

The first thing to know is that Peak Academy's instruction centers on "lean" management principles, a philosophy perhaps best known for the Six Sigma approach to business-process improvement.

According to the Cambridge, Mass.-based Lean Enterprise Institute, "Lean thinking changes the focus of management from optimizing separate technologies, assets, and vertical departments to optimizing the flow of products and services through entire value streams that flow horizontally across technologies, assets, and departments to customers."

Got all that? Not really?

Never fear – because the second thing to know about Peak Academy is that its true purpose is to convey useful information to a municipal workforce, not to adhere to any particular management philosophy.

"True lean practitioners – and I know this because true lean practitioners tell me this all the time – will say that we bastardize lean, that it's not really lean any more, and I think that is accurate," Edinger said. "We have adapted our own terminology. It's very government-operations focused, which is why people from other governments want to come to our classes as opposed to other lean classes to learn this stuff."

In all, more than 7,000 people from within and outside Denver city government have gone through Peak Academy. Most have done so at the Green Belt level, which involves four-and-a-half hours of training and is intended to provide a basic grounding in lean-management principles.

The Green Belt sessions typically train 15 to 20 people at a time, often from a single department. When all of the attendees come from the same office, trainers will invite them to bring one of their team's real-life challenges to use as a case study.

A smaller number of trainees attain the Black Belt level, which takes four days and teaches more sophisticated techniques.

Edinger said invitees to Black Belt training are typically rising stars – “the people you can't afford to lose, because they're too valuable to your day-to-day operations” – though usually not senior managers, who undergo their own version of Peak.

The mayor's office has taken pains to ensure that Peak Academy is not seen as an in-house ivory tower or a beside-the-point training exercise. City employees who attend the academy do not get their Green Belt or Black Belt certification until they complete an innovation plan – and follow through with it in their daily work.

In addition, the city has begun incorporating Peak-related skills into its employee evaluations, and Hancock is preparing to implement a new policy making attendance a prerequisite for any employee seeking a promotion.

However, there's one form of incentive that the city will not consider. For what Edinger refers to as “philosophical reasons,” Denver does not pay employees any monetary bonus for completing the program.

“If we pay people for innovation, what they'll start to think is that what we pay them for regularly does not involve innovation,” he explained. “We don't want to set the expectation that your salary

only covers you to follow orders and do things the way they've always been done.”

The Green Belt and Black Belt training is only part of Peak Academy's work. The program's eight employees actually spend most of their time working with agencies throughout city government, helping them plan and execute process innovations.

This partnership work often goes hand-in-hand with the trainings, as agency staff undergo Green Belt or Black Belt instruction while a Peak Academy employee helps them translate those lessons into practice.

The Peak Performance Program – which accounts for 90 percent of Peak Academy's budget – costs about \$1 million annually, meaning that Denver has put a bit over \$6 million into the program so far.

According to a dashboard that Edinger assiduously maintains to track such things, Peak Academy has saved taxpayers about \$26 million since 2012. Edinger divides that total into “hard savings” of \$9 million and “soft savings” of roughly \$17 million.

For an illustration of the difference between hard and soft savings, consider this real-life example of Peak training in action.

An accountant working in the sanitation department had been sending out late-payment notices for over a decade. She had always done so via certified mail. About 11,000 of these notices went out each year, all of which she had to fill out by hand. This task absorbed about 1,000 hours annually – about half of her full-time equivalent. What's more, it cost \$4.60 per mailing, about 10 times more than a first-class stamp.

Then the accountant went through Green Belt training. Like all participants, she was asked to come up with an innovation that could apply to her specific job. Her idea was to save paperwork, time, and money by sending out the late notices through first-class mail rather than certified mail.

Nobody she talked to could figure out why they had ever used certified mail in the first place, so her innovation became policy. It saves the city \$50,000 in postage per year – and frees up half of the accountant’s time for higher-value work. (As a bonus, it turns out that the switch to “normal mail” also increased collections for the city.)

Hard savings are those directly measured in dollars – in this case, the 50 grand in postage. The soft savings are those that, while readily measurable, don’t take the form of checks, cash, or credit payments – in this case, the accountant’s 1,000 hours of saved time.

As an added guarantor of rigor, Denver only credits Peak Academy with the savings that accrue during the first year of an innovation’s life. In other words, the accountant’s shift to first-class mail would only show up as \$50,000 in hard savings, even if this change results in savings for years to come.

Hancock is quick to cite other examples of the transformations Peak Academy has brought about – all as a result of employee-driven process improvements:

- The city’s personnel office had taken 85 days to fill a position. This put Denver at a disadvantage in securing top-flight talent, especially in Colorado’s strong labor market. “I don’t know how many quality, qualified prospective candidates would be sitting around for 85 days to get a job,”

Hancock said. But then the HR team went through Peak Academy, with many staffers undertaking Black Belt training. The wait plummeted to 45 days – and continues to drop.

- Denver residents filing for Supplemental Nutrition Assistance Programs (SNAP) benefits had to wait anywhere from three days to 10 days for approval. Now, virtually all such applications – 96 percent – are processed within 48 hours.
- And in a Peak-derived breakthrough that Hancock laughingly described as “my favorite of all time,” the waiting period at the local DMV – which had been an hour and 10 minutes on average – now takes an average of only 18 minutes.

Hancock and other senior officials point out other benefits that may be less directly measurable – but potentially just as meaningful. Evan Dreyer, the mayor’s deputy chief of staff, cited the importance of redirecting the money saved by Peak Academy toward vital urban needs.

“When we’re freeing up money by empowering and utilizing the ingenuity of the workforce, how do we invest that money back into underserved neighborhoods?” Dreyer asked, noting that Peak Academy “frees up money to go to other high-priority areas such as keeping housing affordable in a city where market forces are driving those costs way up.”

Edinger said he’s noticed a “strong correlation” between the introduction of Peak Academy and improved outcomes on employee-engagement surveys across city government. “We know we have a more engaged workforce now than we did when we started,” he said.

He observed that Peak Academy has helped city employees see the daily impact of their work – and to feel empowered to make changes.

“When you do valueless work, that’s morally wrong,” Edinger said. “We shouldn’t ask you to do work that doesn’t add value, and you shouldn’t want to do it.”

## LESSONS FOR LEADERS

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- First and foremost, embrace the central importance of your public workforce – and be willing to go beyond lip service. Mayor Hancock said senior public officials need to “be willing to invest in meaningful, tangible ways in their most important resource, their employees.”
- He added, “If you increase their engagement with their work, and give them the tools to unlock their expertise, you will see incredible returns on the investment. So, invest in them, and give them the tools, empower them, and let them loose, and they’ll blow you away. We’re sending the message that we’re investing in them and not the consultants to solve the tricky stuff.”
- Understand that this kind of program requires both time and tolerance. Said Hancock: “You have to give people permission to innovate; and to take time away from work; and to create capacity for continuous improvement and breakthrough innovation – as opposed to just doing your daily work.”
- Embed the training so deeply in your organization that it will outlast any individual chief executive. “You’re creating a culture as opposed to an initiative,” Hancock said. “It can’t be considered a ‘program,’ because mayors come and go. If you want to instill this in the culture of city employment, you’ve got to make it a part of that culture. It’s got to be part of who we are as city employees.”
- Show that the program has support from the very top. “The mayor must be meaningfully involved,” Hancock said. “City employees must know that the mayor will sit there and listen to their reports, and challenge them, and question them, and drive them, and believe in it.”
- Watch out for middle-management resistance. Hancock said the “number-one barrier to success” for Peak Academy has been among department heads who regard subordinates’ proposed innovations as threats to their authority.

“A lot of times, people get promoted to supervisor not because they’re going to be great managers, but because they know whatever that work is better than anyone else,” he said. “And now the people who are working for them who have just been trained in Peak are saying, ‘I want to change the things you know really, really well.’ And that was the reason they (the managers) got promoted, and so they resent that.”

- When looking for people to staff the training program, don't limit yourself to management-consulting types. Edinger said Peak Academy's small full-time staff is heavy with what he referred to as "connectors," such as former schoolteachers.
- "The type of people we have in Peak Academy have great soft skills," he said. "They're not the MBA-type individual. The key thing here is that this methodology is available to everyone. It's how it's conveyed and communicated and instilled that's important."

To learn more about Peak Academy and whether this model might work for your community or agency, visit the Peak Academy web page at Denver's official website, or Peak Academy's own website. You can also contact Dave Edinger at [David.Edinger@denvergov.org](mailto:David.Edinger@denvergov.org).



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Today, PPI is developing fresh proposals for stimulating U.S. economic innovation and growth; equipping all Americans with the skills and assets that social mobility in the knowledge economy requires; modernizing an overly bureaucratic and centralized public sector; and defending liberal democracy in a dangerous world.

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